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SUBJECT: ISRAEL: NEXT MONTH PIVOTAL REGARDING IRAN

Classified By: DCM Luis G. Moreno, reasons 1.4 (b),(d)

¶1. (S) Summary: The GOI views a number of important meetings in September -- including the P5 1 Foreign Ministers, the IAEA Board of Governors, the UN General Assembly and the G-20 -- as pivotal in determining the next course of action regarding Iran's nuclear program. According to MFA Director for Nonproliferation Haim Waxman, the GOI was disappointed the latest IAEA report on Iran's nuclear program did not include an annex detailing the program's military aspects. He said the GOI believes recent statements out of Tehran expressing the desire to resume negotiations on its nuclear program are indicative of an overall strategy to offer minimal effort at the last second to delay possible enhanced sanctions. Waxman said the GOI believes Russia and China will try to avoid any escalation of sanctions. Following the brutal crackdown after the Iranian elections, however, the GOI believes Moscow and Beijing will pressure Tehran to offer some concessions in order to avoid strengthened sanctions. Regardless of Russia and China, he said the GOI views the EU as positively inclined to pursue tougher sanctions. End summary.

¶2. (S) In a September 2 meeting with Pol-mil officer, Waxman expressed disappointment that an annex detailing the military aspects of Iran's nuclear program had not been included in the latest IAEA nuclear safeguards report. He said it was the GOI's understanding that even without the annex, a subsequent technical briefing at the IAEA to review the report should have included information from the annex. According to Waxman, however, the GOI understood the annex was not mentioned during the technical briefing -- he questioned why this was the case.

¶3. (S) Otherwise, Waxman said the IAEA report contained no major surprises, as Tehran continues to increase its number of centrifuges -- by one thousand -- and accumulate low enriched uranium (LEU). He noted that the GOI was surprised the report stated that the number of centrifuges currently enriching uranium at Natanz has decreased. However, Waxman had just read an analysis by Institute for Science and International Security's David Albright suggesting these centrifuges may be off-line for maintenance.

¶4. (S) Waxman described Iranian President Ahmadinejad's September 1 statement that Tehran is ready to resume negotiations on its nuclear program as consistent with the Iranian strategy to demonstrate "minimal progress and effort" at the last second in order to delay possible enhanced sanctions. He argued this latest "effort" was timed to coincide with the P5 1 foreign ministers' September 2 meeting.

¶5. (S) While he assessed the latest statements out of France and Germany as "strong" regarding possible enhanced sanctions, Waxman argued that Russia and China will likely try to avoid any escalation, and that Moscow has cast further sanctions in a negative light in the last few days. Waxman noted, however, that Tehran is on "shaky ground" following the Iranian elections; Moscow and Beijing will likely

pressure Tehran to make some concessions. Otherwise, Waxman said, it will be very difficult for Russia and China to block any further sanctions.

¶16. (S) Alternatively, Waxman said the EU and United States could pursue significant sanctions without Russia or China. He said the GOI expected the "usual suspects" in the EU -- Austria, Spain, Sweden, Greece, Portugal -- to raise objections to any increased sanctions. However, he noted that President Obama was very popular in Europe, while Tehran's repressive tactics following the elections severely damaged its standing in Europe -- as a result, we should no longer view enhanced sanctions as improbable.

¶17. (S) Waxman questioned what the United States intended to do next, especially if Tehran continues its intransigence. He said many analysts have tried to allay fears of any impending crisis by noting that the USG will reassess the situation with Iran at the end of the year. Waxman noted that "the time is now: the end of the year is rapidly approaching -- we cannot go much further." He pointed to a series of important meetings in September, starting with the P5 1 meeting on September 2, followed by the IAEA Board of Governors meeting, and then finally the UN General Assembly and G-20 meetings.

¶18. (S) In terms of a GOI prognosis, Waxman said the MFA was evenly split between optimists and pessimists that a breakthrough will be achieved with Tehran. Waxman personally was skeptical Tehran would respond in a constructive fashion, and said tougher sanctions would ultimately prove necessary. At the very least, Waxman said the past year had by and large

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amounted to a "lost year" regarding Iran. He commented that "we cannot afford such a luxury" in the coming year.

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